

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Based on Japanese GAAP)

February 8, 2019

Company name: Digital Garage, Inc.  
 Stock exchange listing: Tokyo  
 Stock code: 4819 URL <https://www.garage.co.jp/>  
 Representative: Representative Director, Kaoru Hayashi  
 President Executive Officer and Group CEO  
 Member, Board of Directors, Senior  
 Inquiries: Executive Officer, in charge of the Corporate Strategy Division Makoto Soda TEL 03-6367-1111  
 Scheduled date to file Quarterly Securities Report: February 12, 2019  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2018	50,805	15.7	2,403	9.6	4,845	15.7	3,605	(11.1)
Nine months ended December 31, 2017	43,921	–	2,192	–	4,187	–	4,052	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2018	77.30		73.53	
Nine months ended December 31, 2017	85.97		85.41	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	131,423	37,218	26.9
As of March 31, 2018	108,596	39,017	34.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2018	–	0.00	–	24.00	24.00
Year ending March 31, 2019	–	0.00	–		
Year ending March 31, 2019 (Forecast)				28.00	28.00

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Revenue		Profit before tax		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	33,500	–	9,000	–	6,200	–	133.43

Digital Garage, Inc. plans to apply IFRS from the end of fiscal year ended March 31, 2019. The above forecast is based on IFRS. There is no year-on-year comparison given that the forecast is IFRS based.

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2018  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2018	47,334,800 shares	As of March 31, 2018	47,312,800 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	1,391,452 shares	As of March 31, 2018	123,821 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2018	46,635,071 shares	Nine months ended December 31, 2017	47,143,641 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	32,922	41,926
Money held in trust	5,307	4,329
Notes and accounts receivable - trade	7,741	8,234
Operational investment securities	12,364	15,192
Allowance for investment loss	(1,235)	(1,225)
Merchandise	269	266
Work in process	221	322
Raw materials and supplies	8	11
Accounts receivable - other	16,889	22,616
Other	718	576
Allowance for doubtful accounts	(32)	(41)
Total current assets	75,176	92,210
Fixed assets		
Property, plant and equipment	2,338	3,382
Intangible assets		
Software	2,019	2,327
Goodwill	7,822	6,667
Other	28	30
Total intangible assets	9,869	9,025
Investments and other assets		
Investment securities	16,552	21,400
Other	4,691	5,380
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	21,211	26,748
Total fixed assets	33,419	39,156
Deferred assets	–	56
Total assets	108,596	131,423

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	5,018	6,567
Short-term loans payable	1,700	5,200
Current portion of long-term loans payable	2,437	1,022
Income taxes payable	1,008	1,408
Provision for bonuses	291	290
Deposits received	36,499	38,387
Other	2,339	2,437
Total current liabilities	49,294	55,313
Fixed liabilities		
Convertible bond-type bonds with share acquisition rights	–	25,233
Long-term loans payable	18,890	11,773
Net defined benefit liability	–	396
Other	1,394	1,486
Total fixed liabilities	20,284	38,890
Total liabilities	69,578	94,204
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,464	7,494
Capital surplus	3,104	3,127
Retained earnings	25,819	28,291
Treasury shares	(26)	(5,026)
Total shareholders' equity	36,363	33,887
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	339	286
Foreign currency translation adjustment	1,100	1,233
Total accumulated other comprehensive income	1,440	1,519
Share acquisition rights	844	1,016
Non-controlling interests	369	795
Total net assets	39,017	37,218
Total liabilities and net assets	108,596	131,423

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	43,921	50,805
Cost of sales	35,010	39,285
Gross profit	8,910	11,519
Selling, general and administrative expenses	6,717	9,116
Operating profit	2,192	2,403
Non-operating income		
Interest income	8	35
Share of profit of entities accounted for using equity method	1,914	2,191
Other	395	558
Total non-operating income	2,318	2,785
Non-operating expenses		
Interest expenses	59	67
Rent cost of real estate	195	208
Other	68	67
Total non-operating expenses	323	343
Ordinary profit	4,187	4,845
Extraordinary income		
Gain on sales of fixed assets	–	3
Gain on change in equity	26	66
Gain on sales of shares of subsidiaries and associates	798	2,061
Other	850	124
Total extraordinary income	1,675	2,256
Extraordinary losses		
Impairment loss	–	665
Loss on valuation of investment securities	10	697
Other	33	38
Total extraordinary losses	44	1,401
Profit before income taxes	5,818	5,699
Income taxes - current	1,470	2,513
Income taxes - deferred	269	(390)
Total income taxes	1,740	2,123
Profit	4,078	3,575
Profit (loss) attributable to non-controlling interests	25	(29)
Profit attributable to owners of parent	4,052	3,605

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	4,078	3,575
Other comprehensive income		
Valuation difference on available-for-sale securities	578	(65)
Foreign currency translation adjustment	6	133
Share of other comprehensive income of entities accounted for using equity method	34	10
Total other comprehensive income	620	78
Comprehensive income	4,698	3,653
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,672	3,683
Comprehensive income attributable to non-controlling interests	26	(29)